

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 XMB-02 TRSE-00 MC-02 L-03

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TO SECSTATE WASHDC 7376

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

FAA BRUSSELS

AMCONGEN BOMBAY

AMCONGEN CALCUTTA

AMCONGEN MADRAS

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ROME FOR RCAA DWOR

DEPARTMENT PASS COMMERCE FOR R. COHEN, R. MYERS, P. HALE;

EXIMBANK FOR MORAN AND HAMMOND: FAA FOR CARY AND CARMICHAEL

FROM RCAA DWOR

E.O. 11652: N/A

TAGS: EAIR, IN BEXP, ETRD

SUBJECT: AIR-INDIA FLEET EXPANSION AND LINES OF DEVELOPMENT

REF: ROME 10226, PAR. E

1. SUMMARY: RCAA DWOR AND CONGEN COMMERCIAL ATTACHE O'BRIEN
MET JULY 27 WITH AIR-INDIA OFFICIALS MANAGING DIRECTOR K. K.

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UNI, DEPUTY MANAGING DIRECTOR (COMMERCIAL) N. H. DASTUR, DIRECTOR

OF ENGINEERING O. M. SAWHNY, AND DIRECTOR OF FINANCE C. L. SHARMA TO ASSESS AIRLINE'S PRESENT STATUS, FLEET PLANNING, AND LINES OF DEVELOPMENT. AIRLINE SIGNED LETTER-OF-INTENT JUNE 1 FOR SIXTH BOEING 747-237B VALUED AT \$47 MILLION, EFFECTED IMPRESSIVE FINANCIAL TURNAROUND WITH NET PROFIT \$7.14 MILLION FISCAL YEAR ENDED MARCH 31, 1976, AND REGISTERED RECORD QUARTERLY NET PROFIT \$4.0 MILLION FOR PERIOD APRIL 1, 1976 - JUNE 30, 1976. AIR-INDIA REQUIRES THREE ADDITIONAL 747-237B'S TO COVER TRAFFIC GROWTH 1978 THROUGH 1980 WITH AN ADDITIONAL REQUIREMENT, NOT YET PRECISELY DEFINED, FOR SMALLER PASSENGER-CAPACITY WIDE BODIED AIRCRAFT (747-237B COMBI, L-1011-250, DC-10-30/40) TO REPLACE PORTION OF PRESENT BOEING NARROW-BODIED FLEET. END SUMMARY.

2. ON JUNE 1, AIR-INDIA SIGNED DEFINITIVE LETTER-OF-INTENT, COUPLED WITH GOOD FAITH DEPOSIT \$100,000, FOR SIXTH BOEING 747-237B, VALUED AT \$47 MILLION INCLUDING SPARES AND SUPPORT EQUIPMENT, FOR DELIVERY DECEMBER 1977. THIS AIRCRAFT WILL REPLACE BOEING 707 CAPACITY ON THREE WEEKLY ROUND-TRIP SERVICES INDIA - WESTERN EUROPE - U.K. AND, IN RCAA VIEW, AT LEAST SEVERAL WEEKLY ROUND TRIP INDIA - GULF SERVICES. BEYOND THIS SIXTH 747, AIR INDIA PLANNING ENCOMPASSES A SEVENTH 747-237B FOR DELIVERY DECEMBER 1978, EIGHTH FOR DELIVERY DECEMBER 1979, AND NINTH FOR DELIVERY DECEMBER 1980 TO COVER FORECAST TRAFFIC GROWTH.

3. ADDITIONALLY, AIR-INDIA TENTATIVELY PLANNING FUTURE ACQUISITION MEDIUM-SIZED WIDE BODIED AIRCRAFT, FOR DELIVERY 1978 ONWARD, TO GRADUALLY REPLACE BOEING 707'S (PARTICULARLY 707-437B'S) ON ROUTES TO FAR EAST, MAURITIUS, EAST AFRICA, AND GULF/MIDDLE EAST. SINCE NO REQUIREMENTS FOR LONG-RANGE CAPABILITY BEYOND STAGE-LENGTH EQUAL TO PRESENT CRITICAL SECTOR BOMBAY - ROME, AIR-INDIA HOLDS NO INTEREST IN BOEING 747 SP AND LOCKHEED L-1011-500 TRISTAR. BOTH AIRCRAFT, IN AIR-INDIA VIEW, OFFER IMPRESSIVE SPECIALIZED ULTRA LONG-RANGE PERFORMANCE, BUT SHORTENED FUSELAGES UNDULY COMPROMISE SEAT-MILE AND TON-MILE OPERATING COSTS. INTEREST APPEARS CENTERED ON FOLLOWING: BOEING 747-237B COMBI, FULL-SIZED BUT WITH MIXED MAINDECK PASSENGER (280 SEATS) AND CARGO (TWELVE CONTAINERS); LOCKHEED L-1011-250 TRISTAR; MCDONNELL DOUGLAS DC-10-30 OR DC-10-40. BOEING 747-237B COMBI (WITH SIDE MAINDECK CARGO DOOR, REINFORCED FLOORING, AND POWERED LOADING) LIMITED OFFICIAL USE

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HOLDS GROWING INTEREST IN RESPONSE RAPIDLY INCREASING IMPORTANCE OF CARGO IN AIR-INDIA TOTAL REVENUE PICTURE: CARGO NOW REPRESENTS 24 0/0 OF TOTAL REVENUE, WITH EARLY EXPECTATION OF GROWTH TO 33 0/0 OF TOTAL REVENUS.

4. AFTER HEAVY LOSS OF \$9 MILLION (80.0 MILLION RUPEES) FOR FISCAL YEAR ENDED MARCH 31, 1975, DUE EXTENDED PILOTS' STRIKE AUGUST-NOVEMBER 1974 AND ESCALATING FUEL PRICES, AIR-INDIA HAS EFFECTED

IMPRESSIVE FINANCIAL TURNAROUND AND REGISTERED AUDITED NET PROFIT \$7.14 MILLION (63.5 MILLION RUPEES) FOR FISCAL YEAR ENDED MARCH 31, 1976. FURTHER, ACCORDING TO K. K. K. UNNI, AIRLINE REGISTERED RECORD QUARTERLY PROFIT \$4 MILLION FOR PERIOD APRIL 1, 1976 - JUNE 30, 1976, OFFERING PROMISE OF PROBABLY RECORD ANNUAL PROFIT FOR FISCAL YEAR ENDING MARCH 31, 1977, AND FAR SURPASSING BUDGETED PROFIT \$2.52 MILLION (23.0 MILLION RUPEES) FOR THE PERIOD.

5. AIR-INDIA'S PRESENT FLEET OF FIVE 747-237B'S, THREE 707-337B'S, TWO 707-337C'S, FOUR 707-437'S DEPLOYED AS FOLLOWS:

A. 747-237B'S

INDIA-EUROPE-U.K.-U.S. SEVEN ROUND TRIPS WEEKLY
INDIA-AUSTRALIA TWO ROUND TRIPS WEEKLY
INDIA-EUROPE-U.K. ONE ROUND TRIP WEEKLY
INDIA-GULF ONE ROUND TRIP WEEKLY

(NOTE: AIR INDIA 747 FLEET PRESENTLY BEING CONVERTED FROM NINE-ABREAST ECONOMY SEATING TO TEN-ABREAST, BOOSTING TOTAL SEATING TO 370 (352 ECONOMY PLUS 18 FIRST CLASS) FROM 344 (326 ECONOMY PLUS 18 FIRST CLASS).)

B. BOEING 707-EUC/707/337B/707-437

INDIA-EUROPE-U.K. EIGHT ROUND TRIPS WEEKLY,
OF WHICH TWO ARE ALL-CARGO
(707-337C)
INDIA-GULF-MIDDLE EAST TWELVE ROUND TRIPS WEEKLY
INDIA-FAR EAST SEVEN ROUND TRIPS WEEKLY,
OF WHICH ONE IS ALL-CARGO
(707-337C)
INDIA-SOUTHEAST ASIA TWO ROUND TRIPS WEEKLY
(KUALA LUMPUR, SINGAPORE)
INDIA-EAST AFRICA TWO ROUND TRIPS WEEKLY
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INDIA-INDIAN OCEAN (SEY- TWO ROUND TRIPS WEEKLY
CHELLES MAURITIUS)
DOMESTIC (BOMBAY-DELHI TURNAROUND) FOUR ROUND TRIPS WEEKLY

6. AIRLINE HIGHLY PLEASED WITH PERFORMANCE, ECONOMICS, AND PASSENGER APPEAL OF 747-237B FLEET, WHICH IS REGISTERING AVERAGE PASSENGER LOAD FACTOR 63 0/0 AND DAILY UTILIZATION RATE 11 HOURS PER AIRCRAFT. HOWEVER, AIRLINE CONTINUES TO EXPERIENCE RELIABILITY PROBLEMS JT9D-7A ENGINES. DISPATCH RELIABILITY RATE (MECHANICAL) CITED BY SAWHNY AT 97 0/0, ON-TIME PERFORMANCE RATE (ALL CAUSES) AT 80 0/0 OF SCHEDULED DEPARTURES, WHICH ARE ACCEPTABLE.

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7. ACCORDING UNNI, AIR-INDIA'S PRIME PROFIT CENTER IS THE HIGH-YIELD, HIGH-DENSITY ROUTE INDIA-GULF, WITH A RAPID BUILDUP SCHEDULED 707 FREQUENCIES AND RECENT INTRODUCTION 747-237B ON WEEKLY BOMBAY-DUBAI TURNAROUND (STUB END OF N.Y.-LONDON-BOMBAY WEEKLY LIMITED-STOP SERVICE), WHICH WILL MOST CERTAINLY BE INCREASED, GIVEN THE EXPERIENCED QUANTUM INCREASES IN TRAFFIC.

9. ADDITIONAL FACTORS FAVORABLY INFLUENCING AIR-INDIA PROFITABILITY ARE RECENT LIFTING OF OVERFLIGHT BANS OVER PAKISTAN AND, SOON, VIETNAM, WHICH WILL REMOVE ADVERSE CIRCUITY, ON ROUTES TO EUROPE AND FAR EAST AND DECREASE FLYING OPERATIONS EXPENSES.
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